

Election countdown: A Trump opening after the final Presidential debate?



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- *President Donald Trump and Former Vice President Joe Biden met in Nashville, Tennessee on Thursday 23 October for the final presidential debate. This is an important milestone in the campaign, and early indications the morning after the debate are that while both camps felt proud of their performance, **it may persuade some undecided and GOP-leaning independent voters back to the Trump fold.***
- *Expectations were high for both candidates. For President Trump, it was his last opportunity to change the trajectory in the race. For Biden, it was to avoid a serious mistake that could alter the dynamic of the race from a referendum on the incumbent to a binary choice. **Trump's performance may have shifted slightly the dynamics a bit closer.***
- *The President and former Vice President debated seven topics: Covid-19, National Security, Healthcare, Jobs, Immigration, Race, and Climate Change. After the interruptions that marred the first debate, rules were established to turn off the opponent's microphone for the first two minutes of a candidate's response to a question. This led to far fewer interruptions, but the debate was still personal and tense at times. **Nonetheless, this final debate was more informative and did break some new ground on policy.***
- *Both maintained a 'tough on China' stance. It was an ironic role reversal, where the Democratic candidate sounded more hawkish than the Republican one.*
- *Biden's remark on oil has the potential to upset the US oil industry and could become a factor not just in the national Presidential race, but in local races in the oil-producing states of Alaska, Ohio, New Mexico, Pennsylvania and Texas.*

Key takeaways from the debate

- Trump was disciplined and focused on changing the narrative from a referendum on himself and his record to a binary choice between himself and Biden. During several occasions in the debate, Trump claimed that a Biden election will lead to socialised medicine. He also attempted a new theme that Biden is a long time Washington insider while **he is an outsider**. This was a winning theme in Trump's 2016 election.
- Biden had one of his strongest debate performances in this campaign season that includes the Democratic primaries. He was sharp and mostly on the offensive throughout the debate. He attacked Trump on his handling of **Covid-19** and **emphasised that Trump's healthcare plan will not cover pre-existing health conditions, which is a key issue for many voters**. A key theme he repeated several times during the debate was that he would be a unifier and a President for all.
- **Foreign Policy:** both candidates laid out competing visions for foreign policy. Biden went on the offensive on Trump foreign relations engagements with Russia and North Korea. **Both maintained a 'tough on China' stance.** It was an ironic role reversal, **where the Democratic candidate sounded more hawkish than the Republican one.**
- **Corruption:** both candidates traded corruption allegations against each other. Trump accused Biden of profiting from his son Hunter's business dealings in China, Russia and Ukraine. (There has been no evidence supporting Trump's claim). Biden reminded voters that Trump owes a lot of money to the IRS and may be beholden to foreign governments. (The New York Times recently reported a secret Trump company bank account in China). Biden chided Trump for refusing to release his taxes and highlighted press reports that he has mostly avoided paying taxes for years.
- **Climate Change:** What could be considered a mistake, and potentially an opening for Trump in the final days of the election, came during the Climate Change topic. Trump asked Biden: "Would you close down the oil industry?" Biden responded: "Yes. I would

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transition.” He later clarified the remark: “Because the oil industry pollutes, significantly... Because it has to be replaced by renewable energy over time, over time. And I’d stop giving to the oil industry, I’d stop giving them federal subsidies.” Biden’s remark on oil has the potential to upset the US oil industry and could become a factor not just in the national Presidential race, but in local races in the oil-producing states of Alaska, Ohio, New Mexico, Pennsylvania and Texas.

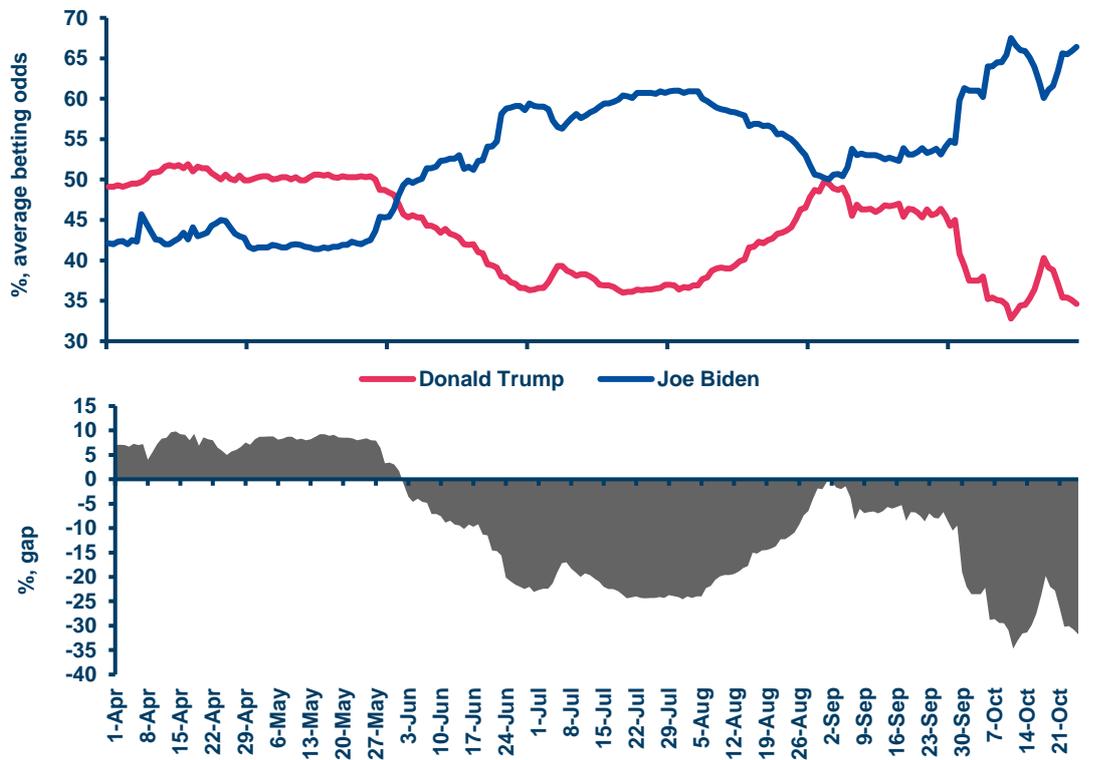
Overnight polls found Biden to be the winner but...

There were three instant polls (YouGov, CNN and DataProgress) asking Americans who won the debate. The average of the three polls found that 53% thought Biden won while 38% thought Trump won. These numbers largely mirror the current national polls. These polls did not measure policy and substance, which could lead to an opening for Trump as Biden’s comments on oil could hurt him.

The RealClearPolitics (RCP) betting average remained firmly in favour of a Biden victory, giving him a 65% chance of winning versus 35% for Trump. The RCP nation polling average has Biden ahead 51% vs. 43% for Trump.

Trump’s strong performance and Biden’s oil comment may provide a small opening for the President. It will be important to see if Trump stays on message with some of the themes raised during the debate, like socialism, corruption and tagging Biden as a Washington insider. Trump’s solid performance may have been just enough to shift the dynamics a bit closer to a binary choice. **This could help tighten the race in the days before Election Day, as Trump firms up support among undecided and GOP-leaning independent voters.** In the end, it remains unclear how much this race will tighten up since there are very few voters who are truly undecided. Also, a record 47.6 million Americans already cast their vote in early voting before the final debate. This is 35% of the entire 2016 vote total.

Biden’s odds increased to 66 to 34%



Source: Amundi, Bloomberg, RealClearPolitics. Data as of 26 October 2020.

Investment implications

With market expectations of a Biden sweep priced into financial markets, we could see an **increase in scrutiny of Biden's economic, fiscal and regulatory agenda**. However, following the final debate, if the polls tighten closer to 3 November, there could be greater volatility in financial markets. The market risks may continue in the days and weeks after the election due to the possibility of a delayed outcome. **Due to Covid-19, adjustments have been made to the voting process in many states to accommodate mail-in voting**, early in-person voting, and counting of mail-in ballots after 3 November. Many of these changes are being contested hotly by both sides in state courts. If the results are close on 3 November and state results wind up in the courts, **there is a significant risk that a contested election could delay the final outcome for days or weeks.**

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Definitions

- **GOP:** Grand Old Party, the US Republican political Party.
- **IRS:** Internal revenue service.
- **Volatility:** A statistical measure of the dispersion of returns for a given security or market index. Usually, the higher the volatility, the riskier the security/market.

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